

OPEN MEETING



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ORIGINAL MEMORANDUM

Arizona Corporation Commission
DOCKETED RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION FEB 17 2016 2016 FEB 17 AM 9 10

FROM: Utilities Division

DATE: February 17, 2016

DOCKETED BY

Fg

RE: IN THE MATTER OF THE APPLICATION OF SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. FOR APPROVAL TO INCUR DEBT TO FINANCE ITS 2010-2012 CONSTRUCTION WORK PLANS AND FOR RELATED APPROVALS.

SUBJECT: SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., PETITION TO AMEND DECISION NO. 72237 PURSUANT TO A.R.S. §40-252 (E-01575A-10-0311)

I. INTRODUCTION

On August 3, 2015, Sulphur Springs Valley Electric Cooperative, Inc., ("SSVEC" or "Cooperative") docketed a petition pursuant to A.R.S. §40-252 to amend Decision No. 72237 and concurrently, docketed a similar Petition to amend Decision No. 70027 contained in Docket No. E-01575A-07-0446. In both petitions the Cooperative requests to amend the previous financing decisions issued by the Arizona Corporation Commission ("ACC" or "Commission"). In the instant petition, the Cooperative requests that the Commission retroactively authorize the use of loan proceeds for completed projects not in the original 2010-2012 Construction Work Plan ("CWP"). The petition also seeks authorization for amounts remaining for loans approved in Decision No. 72237.

SSVEC seeks to extend the authorization deadline for financing to December 31, 2020.

In its petition, SSVEC requested that the ACC grant the requested relief by December 31, 2015. On October 19, 2015, the Cooperative waived the request that the ACC act by December 31, 2015.

On October 20, 2015 at a Special Open Meeting of the ACC, the Commission voted to re-open Decision No. 72237.

II. BACKGROUND

SSVEC is a member-owned Arizona non-profit cooperative founded in 1938 which provides electric service to approximately 51,000 customers in parts of Cochise, Santa Cruz, Pima and Graham counties. SSVEC is governed by a 10-member board of directors elected by the members of SSVEC to oversee all aspects of the Cooperative's operations.

The Cooperative was authorized, on March 21, 2011, new debt in an amount not to exceed \$78,676,664 in Decision No. 72237. The financing included \$72,676,664 to upgrade and/or replace existing utility infrastructure and construction of supplemental facilities pursuant to SSVEC's CWP. The remaining \$6,000,000 of the financing was to fund construction of a new 750 kW solar facility planned for Sonoita, Arizona, via CoBank loan utilizing Clean Renewable Energy Bonds ("CREBs").

III. STAFF'S ANALYSIS

Engineering Analysis

Based on Staff's Engineering Report, which is attached, Staff concludes:

SSVEC is operating and maintaining its electrical system properly.

SSVEC is carrying out system improvements, upgrades and new additions to meet the current and projected load of the Cooperative in an efficient and reliable manner. These improvements, system upgrades and new construction are reasonable and appropriate.

The Cooperative has an acceptable level of system losses, consistent with industry guidelines.

SSVEC has a satisfactory record of service interruptions in the historic period from 2010 through 2014 reflecting satisfactory quality of service.

Staff reviewed SSVEC's Capital Projects Budgets for the 2010-2012, 2013-2014, and 2015-2017 construction work plans. The use of SSVEC's loan proceeds in this application are, in Staff's opinion, appropriate ways to fund the proposed capital projects.

The Compliance Section Staff has determined that SSVEC is currently meeting all of its ACC Compliance requirements

SSVEC needs to fund a meter study that will address the current problems with the TS1 meters and explore the potential for new meters that address both the current problem as well as allow for future use in more complex rate designs utilizing customer data for all customer classes in 15 minute intervals.¹

Financial Analysis

The Cooperative has filed concurrent petitions to amend Decision No. 72237 and Decision No. 70027 pursuant to A.R.S. §40-252. Both of these Decisions authorized financings for the Cooperative. Decision No. 72237 approved loans totaling \$78,676,664 to fund SSVEC's 2010-2012 CWP. Decision No. 70027 approved loans totaling \$70,780,000 to fund SSVEC's 2008-2009 CWP. The total approved financing for both Decisions combined is \$149,456,664.

¹ The Cooperative includes in the CWP 2015-2017, \$3,000,000 as TS1 AMI Replacements as described in the petition, Tab 8, page 56 of 75.

Both petitions seek approval to authorize the remaining amounts of loans approved in the previous Decisions, but not used as of the date of the petitions. The remaining amounts of \$32,097,789 in Decision 72237 and \$25,407,072 in Decision 70027 are to be used for projects that remain under the Cooperative's 2013-2014 Construction Work Plan and the 2015-2017 Construction Work Plan. The total remaining funds are \$57,504,861.

In the instant petition pursuant to §40-252, SSVEC states that it did not use the loan proceeds as authorized and did not file a compliance filing for variances from the authorized proceeds. SSVEC admits to this oversight and provides three general reasons for deviating from the CWP 2010-2012. The factors given are: 1) a general slow-down in customer growth as a result of the Great Recession beginning in 2008; 2) SSVEC received federal reimbursements totaling \$19,543,819 under the Smart Grid Investment Grant Program of the American Recovery and Reinvestment Act of 2009 for smart grid improvements totaling \$39,087,637 and; 3) SSVEC received a rate increase in Decision No. 71274 which increased the Cooperative's revenues beginning in September 2009.

The petition states that because of these factors, SSVEC was able to fund significant portions of the its 2010-2012 CWP using internally generated cash so that it did not need to draw down all of the loan funds that were approved in Decision No. 72237.

Decision No. 72237 concluded that the Cooperative had acceptable cash flow to service the new debt obligations. The Cooperative included with the instant petition a portion of SSVEC's Form 7 for the period ending December 31, 2014, and stated that the Cooperative continues to possess the requisite financial wherewithal to undertake the obligations associated with the loan approved in Decision 72237².

IV. CONCLUSIONS AND RECOMMENDATIONS

Staff concludes that SSVEC is operating and maintaining its electrical system properly. That SSVEC is carrying out system improvements, upgrades and new additions to meet the current and projected load of the Cooperative in an efficient and reliable manner and that these improvements, system upgrades and new construction are reasonable and appropriate. Staff also concludes that the Cooperative has an acceptable level of system losses, consistent with industry guidelines and a satisfactory record of service interruptions in the historic period from 2010 through 2014 reflecting satisfactory quality of service and that based on review of the Compliance Section. Staff has determined that SSVEC is currently meeting all of its ACC compliance requirements.

Based on Staff's review of SSVEC's Capital Projects Budgets for the 2010-2012, 2013-2014, and 2015-2017 construction work plans, the use of SSVEC's remaining loan proceeds of \$32,097,789 from Decision No. 72237 is an appropriate way to fund the proposed Capital projects.

Staff concludes that the instant Petition to amend Decision No. 72237 pursuant to A.R.S. §40-252 is for lawful purposes within the Cooperative's corporate powers, is compatible with the

² Attachment 7, CFC Form 7, page 12 of 53.

THE COMMISSION

February 17, 2016

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public interest, would not impair its ability to provide services and would be consistent with sound financial practices, subject to the conditions set forth below.

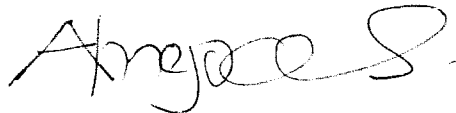
Staff recommends the following:

That the Cooperatives petition to amend Decision No. 72237 pursuant to A.R.S. §40-252 be granted.

That the Cooperative's deadline to incur debt from Decision No. 72237 be extended to December 31, 2020.

That the Commission cancel all previously authorized but unused borrowing authority with the exception of those authorized in Decision Nos. 72237 and 70027 (except indebtedness under revolving credit agreements).

That SSVEC fund a meter study that will address the current problems with the TS1 meters and explore the potential for new meters that address both the current problem as well as allow for future use in more complex rate designs utilizing customer data for all customer classes in 15 minute intervals.



for

Thomas M. Broderick
Director
Utilities Division

TMB:MJR:red\WVC

ORIGINATOR: Mary J. Rimback

MEMORANDUM

TO: Mary Rimback
Public Utilities Analyst III
Utilities Division

FROM: Ray Williamson *Ray T. Williamson*
Utilities Engineer
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: February 17, 2016

RE: STAFF ENGINEERING REPORT – IN THE MATTER OF THE
APPLICATION OF SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC. FOR APPROVAL TO INCUR DEBT TO FINANCE ITS
2010-2012 CONSTRUCTION WORK PLAN AND FOR RELATED
APPROVALS.. – PETITION TO AMEND DECISION 72237 PURSUANT TO
A.R.S. § 40-252 (DOCKET NO. E-01575A-10-0311)

GENERAL

Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") submitted two applications on August 3, 2015 to the Arizona Corporation Commission ("Commission") for permission to amend 70027 and 72237.

ENGINEERING EVALUATION

SSVEC is headquartered in Wilcox, Arizona. SSVEC's service area is located primarily in Cochise County, but also serves portions of Santa Cruz, Pima and Graham Counties. SSVEC is a member-owned non-profit electric cooperative. It is governed by a member Board of Directors elected by its member-customers. Its 5,700 square miles of service territory encompass parts of four counties in Arizona. SSVEC serves approximately 58,000 members in Arizona.

Site Visit

Staff, represented by Ray T. Williamson, met with SSVEC Staff on November 25, 2015. During the visit, the history of the Cooperative's operations in Arizona and their organization related to customer service, planning, engineering, construction, system operations, meters, rates and maintenance were discussed. Staff met with Daniel Wilson, Engineering Manager, and Manny Gonzales, Technical Services Manager. Cost, location and reason for major construction projects were discussed as well as points of delivery and source of wholesale power purchases, operations procedures on the electric system, inspection procedures, system characteristics; and potential for

growth. Mr. Wilson and Mr. Gonzales then took Staff on an inspection tour of the SSVEC facilities located in the Wilcox area.

Electric System Characteristics

At the end of September 2015, SSVEC served 51,522 customers of which 41,713 were residential, 8,460 were 50 kva or less commercial and industrial customers, 414 were over 50 kva commercial and industrial customers, 889 were irrigation customers, and 46 were public street and highway lighting customers. The number of services in Arizona, including all classes of customer, increased from 51,063 in 2010 to 51,522 in September 2015, an average increase of less than 0.99 percent.

**Total Number of Customers – Year-end Values
November 17th, 2015**

Revenue Class	2010	2011	2012	2013	2014	2015*
1. Residential (excl seas.)	41,454	41,311	41,091	41,036	41,190	41,713
2. Irrigation	718	783	791	827	852	889
3. Comm. & Ind. -50 kva or less	8,475	8,458	8,485	8,501	8,523	8,460
4. Comm. & Ind. Over 50 kva	370	386	392	396	402	414
5. Public St. & Highway lighting	46	45	46	46	46	46
6. Total Sales of Electric Energy (1 thru 5)	51,063	50,983	50,805	50,806	51,013	51,522

*Up to September 2015

Actual system peak demand rose each year from 2010-2013, but fell slightly in 2014. Annual load increased annually from 2010 through 2012, but declined slightly in both 2013 and 2014.

Historical System Characteristics

Year	Actual Peak Demand in MW	Month	Annual Demand Growth (%)	Annual Load (MWH)	Annual Load Growth (%)
2010	192.6	June		819,288	
2011	204.8	June	6.3	835,767	2.01
2012	205.7	June	0.43	847,925	1.45
2013	207.9	June	1.06	829,294	(2.11)
2014	198.6	July	(4.4)	793,046	(4.37)

Annual System Losses

SSVEC's annual system losses were between 5.5 percent and 7.4 percent between 2010 and 2014. Losses were at their lowest levels in 2013 and 2014. These losses are well within the industry guidelines of 10 percent per year for rural electric cooperatives.

SSVEC Line Loss Calculation 2010 to 2014

MWH					
Year	Purchased	Sales	Own Use	Losses	Loss %
2014	979,247	924,230	1,499	53,518	5.5%
2013	929,466	873,738	1,640	54,088	5.8%
2012	915,201	853,741	1,543	59,917	6.5%
2011	910,114	840,861	1,562	67,691	7.4%
2010	880,283	822,777	1,394	56,112	6.4%

Percentage losses can be described as the losses (in MWH) divided by MWH purchased.

Quality of Service

Outages that occur in a utility's system stem from a variety of causes. The outages are an indicator of the quality of service to customers. Storms are the cause of some of the outages. Other outages are related to equipment failure and planned outages. The historical data relative to SSVEC's distribution system outages are shown in the Service Interruptions table below. The average outage minutes per customer for the years 2010 to 2014 are an indicator of SSVEC's quality of service.

Service Interruptions

	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	Total
	Power Supplier	Major Event	Planned	All Other	
	(a)	(b)	(c)	(d)	(e)
2014	0.00	0.00	8.11	79.89	88.00
2013	7.07	22.69	2.66	81.60	114.02
2012	2.8	2.39	3.35	58.34	66.88
2011	5.41	139.03	5.48	106.53	256.45
2010	.013	0	2.52	147.41	150.06

The SSVEC outage minutes in all five years are all below the level of concern as outlined in the Rural Utilities Service ("RUS") Bulletins which Staff uses to judge the adequacy of the

Cooperative's reliability.¹ Therefore, Staff believes that SSVEC's system reliability and quality of service are satisfactory.

Distribution System Inspection

During Staff's site visit on November 25, 2015, Staff inspected the Willcox substation, and portions of the transmission, subtransmission, and distribution systems including the locations of system improvements and upgrades that have been made in the last few years.

In general, the SSVEC electric system appears to be well planned and maintained. No obvious problems or deficiencies were observed during the inspection tour. SSVEC's routine maintenance program appears to be robust.

Projected System Growth

SSVEC has projected that its peak demand growth will fluctuate from 1.7 percent to 2.5 percent growth annually over the next five-year period.

Projected System Growth

Year	System Peak	Percentage Growth
2015	203 MW*	2.2%
2016	207.1 MW	2.0%
2017	212.4 MW	2.5%
2018	216.0 MW	1.7%
2019	221.5 MW	2.5%

* Actual Peak

Meter/Module Communication Problem

SSVEC has indicated that it has an ongoing problem getting correct billing information from some residential TS1 meters. This is referred to below as the residential meter/module communication problem. This problem requires SSVEC to send out a meter reader to do a visual read at the customer's premises. This can affect the readings of up to 7 percent of residential TS1 customers each month, as many as 2,900 customers.

This issue is of concern since SSVEC has an inventory of over 5,000 new TS1 meters in its warehouse /meter shop. Also, of concern is the fact that the manufacturer of the TS1 meters will no longer provide support for the TS1 software after 2020.

¹ A reliability concern would exist if the "All Other" column in the Service Interruptions table were to exceed 200 minutes in any year.

Staff proposes that SSVEC be required by the Commission to perform a study that will result in a plan and proposal to solve the residential meter/module communication problem. Staff proposes that the following items be included in the study:

- A. An evaluation of the performance of the existing TS1 metering system to include:
 - 1. Number of "bad" readings for TS1 meters/modules with communication problems for each of the 12 months in 2015, by customer class.
 - 2. Number of truck runs required to "re-read" the TS1 meters/modules with communication problems for each month of the 12 months in 2015.
 - 3. Number of meter-reader man-hours needed in 2015 to "re-read" TS1 meters/modules with communication problems, by month.
 - 4. Calculations of the monthly salary costs for man-hours used to "re-read" the meters/modules with communication problems.
 - 5. Calculations of the transportation costs for "re-reads", including extra gasoline costs and total extra miles driven in 2015 to do "re-reads", by month.
- B. An analysis of the costs of solving the faulty TS1 meters/modules with communication problems.
- C. An analysis of possible replacement meters/modules that could replace the TS1 meters/modules with communication problems:
 - 1. Lists all possible new meters/modules, their costs, an estimation of installation cost per meter/module, and pros and cons of each type of meter/module.
 - 2. Provide information about places in the U.S. where each new meter is currently in use. Contact the utilities using each type of meter and solicit comments on the meters, any problems with the meters, and how well the meters transmit useable billing data.
- D. Conduct an analysis of potential new meters/modules that will solve the current meter/module communication problem and will be able to provide demand information for all customer classes in 15 minute intervals.
 - 1. List the cost of each meter/module and the installation cost

2. Include the cost of any software purchases on upgrades that would be needed to implement a "switch-over" to each of the potential new meters/modules.
- E. Based on the results of the study, SSVEC shall prepare a proposed program, including proposed costs, and a time-frame over which the current communication problem can be solved.
 - F. Prepare a second proposal where both the current meter/module communication problem will be solved and a phase-in of a new meter with the capability of providing a demand reading for a three-part rate will be completed. Include the proposed costs and time-frame for implementation. Staff proposes that the cost of the study should be no more than \$200,000 of the meter budget in the Construction Work Plan. SSVEC should be allowed to utilize the metering funding included in the Construction Work Plan to fund projects identified in the study.
 - G. The study should be completed and docketed at the Corporation Commission no later than 18 months from the effective date of the Commission order in this docket.

CONCLUSIONS

Based on its review of SSVEC's Application, inspection of the Cooperative's electric system, discussions with the Cooperative's Engineering Manager Daniel Wilson and Technical Services Manager Manny Gonzalez, and responses to data requests, Staff's conclusions are as follows:

- a. SSVEC is operating and maintaining its electrical system properly.
- b. SSVEC is carrying out system improvements, upgrades and new additions to meet the current and projected load of the Cooperative in an efficient and reliable manner. These improvements, system upgrades and new construction are reasonable and appropriate.
- c. The Cooperative has an acceptable level of system losses, consistent with industry guidelines.
- d. SSVEC has a satisfactory record of service interruptions in the historic period from 2010 through 2014 reflecting satisfactory quality of service.
- e. Staff has reviewed SSVEC's Capital Projects Budgets for the 2010-2012, 2013-2014, and 2015-2017 construction work plans. The use of SSVEC's loan proceeds are appropriate and their cost estimates are reasonable.
- f. The Compliance Section Staff has determined that SSVEC is currently meeting all of its compliance requirements.

- g. SSVEC needs to fund a meter study that will address the current communication problem with the TS1 meters/modules and explore the potential for new meters that address both the current problem as well as allow for future use in more complex rate designs utilizing customer data for all customer classes in 15 minute intervals.

Originator: Ray Williamson

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 DOUG LITTLE
 Chairman
3 BOB STUMP
 Commissioner
4 BOB BURNS
 Commissioner
5 TOM FORESE
 Commissioner
6 ANDY TOBIN
 Commissioner
7

8 IN THE MATTER OF THE APPLICATION
9 OF SULPHUR SPRINGS VALLEY
10 ELECTRIC COOPERATIVE, INC., FOR
11 APPROVAL TO INCUR DEBT TO
12 FINANCE ITS 2010-2012 CONSTRUCTION
13 WORK PLAN AND FOR RELATED
14 APPROVALS

DOCKET NO. E-01575A-10-0311

DECISION NO. _____

ORDER AMENDING AND
EXTENDING TIME DEADLINE FOR
FINANCING AUTHORITY CONTAINED
IN DECISION NO. 72237

14 Open Meeting
15 March 2 and 3, 2016
16 Phoenix, Arizona

16 BY THE COMMISSION:

17 FINDINGS OF FACT

18 **Introduction**

19 1. On August 3, 2015, Sulphur Springs Valley Electric Cooperative, Inc., ("SSVEC" or
20 "Cooperative") docketed a petition pursuant to A.R.S. §40-252 to amend Decision No. 72237 and
21 concurrently, docketed a similar Petition to amend Decision No. 70027 contained in Docket No. E-
22 01575A-07-0446. In both petitions the Cooperative requests to amend the previous financing
23 decisions issued by the Commission. In the instant petition, the Cooperative requests that the
24 Commission retroactively authorize the use of loan proceeds for completed projects not in the original
25 2010-2012 Construction Work Plan ("CWP"). The petition also seeks authorization for the amounts
26 remaining for loans approved in Decision No. 72237.

27 2. SSVEC seeks to extend the authorization deadline for financing in matter no. 10-0311,
28 Decision No. 72237 from December 31, 2016 to December 31, 2020.

1 3. In its Petition, SSVEC requested that the Arizona Corporation Commission ("ACC"
2 or "Commission") grant the requested relief by December 31, 2015. On October 19, 2015, the
3 Cooperative waived the request that the ACC act by December 31, 2015.

4 On October 20, 2015 at a Special Open Meeting of the ACC, the Commission voted to re-
5 open Decision No. 72237.

6 **Background**

7 4. SSVEC is a member-owned Arizona non-profit cooperative founded in 1938 which
8 provides electric service to approximately 51,000 customers in parts of Cochise, Santa Cruz, Pima and
9 Graham counties. SSVEC is governed by a 10-member board of directors elected by the members of
10 SSVEC to oversee all aspects of the Cooperative's operations.

11 5. The Cooperative was authorized, on March 21, 2011, new debt in an amount not to
12 exceed \$78,676,664 in Decision No. 72237. The financing included \$72,676,664 to upgrade and/or
13 replace existing utility infrastructure and construction of supplemental facilities pursuant to SSVEC's
14 CWP. The remaining \$6,000,000 of the financing was to fund construction of a new 750 kW solar
15 facility planned for Sonoita, Arizona, via CoBank loan utilizing Clean Renewable Energy Bonds
16 ("CREBs").

17 **Staff Analysis**

18 6. SSVEC is operating and maintaining its electrical system properly.

19 7. SSVEC is carrying out system improvements, upgrades and new additions to meet the
20 current and projected load of the Cooperative in an efficient and reliable manner. These
21 improvements, system upgrades and new construction are reasonable and appropriate.

22 8. The Cooperative has an acceptable level of system losses, consistent with industry
23 guidelines.

24 9 SSVEC has a satisfactory record of service interruptions in the historic period from
25 2010 through 2014 reflecting satisfactory quality of service.

26 10. Staff reviewed SSVEC's Capital Projects Budgets for the 2010-2012, 2013-2014, and
27 2015-2017 construction work plans. The uses of SSVEC's loan proceeds in this application are, in
28 Staff's opinion, appropriate ways to fund the proposed capital projects.

1 11. The Compliance Section Staff has determined that SSVEC is currently meeting all of
2 its ACC Compliance requirements.

3 12. The Cooperative has an acceptable level of system losses, consistent with industry
4 guidelines.

5 13. SSVEC needs to fund a meter study that will address the current problems with the
6 TS1 meters and explore the potential for new meters that address both the current problem as well as
7 allow for future use in more complex rate designs utilizing customer data for all customer classes in 15
8 minute intervals.¹

9 14. The Cooperative has filed concurrent petitions to amend Decision No. 72237 and
10 Decision No. 70027 pursuant to A.R.S. §40-252. Both of these Decisions authorized financings for
11 the Cooperative. Decision No. 72237 approved loans totaling \$78,676,664 to fund SSVEC's 2010-
12 2012 CWP. Decision No. 70027 approved loans totaling \$70,780,000 to fund SSVEC's 2008-2009
13 CWP. The total approved financing for both Decisions combined is \$149,456,664.

14 15. Both petitions seek approval to authorize the remaining amounts of loans approved in
15 the previous Decisions, but not used as of the date of the petitions. The remaining amounts of
16 \$32,097,789 in Decision 72237 and \$25,407,072 in Decision 70027 are to be used for projects that
17 remain under the Cooperatives 2013-2014 Construction Work Plan and the 2015-2017 Construction
18 Work Plan. The total remaining funds are \$57,504,861.

19 16. In the instant petition pursuant to §40-252, SSVEC states that it did not use the loan
20 proceeds as authorized and did not file a compliance filing for variances from the authorized
21 proceeds. SSVEC admits to this oversight and provides three general reasons for deviating from the
22 CWP 2010-2012. The factors given are: 1) a general slow-down in customer growth as a result of the
23 Great Recession beginning in 2008; 2) SSVEC received federal reimbursements totaling \$19,543,819
24 under the Smart Grid Investment Grant Program of the American Recovery and Reinvestment Act of
25 2009 totaling \$39,087,637 and; 3) SSVEC received a rate increase in Decision No. 71274 which
26 increased the Cooperative's revenues beginning in September 2009.

27 _____
28 ¹ The Cooperative includes in the CWP 2015-2017, \$3,000,000 as TS1 AMI Replacements as described in the petition, Tab
8, page 56 of 75.

17. The petition states that because of these factors, SSVEC was able to fund significant portions of the its 2010-2012 CWP using internally generated cash so that it did not need to draw down all of the loan funds that were approved in Decision No. 72237.

18. Decision No. 72237 concluded that the Cooperative had acceptable cash flow to service the new debt obligations. The Cooperative included with the instant petition a portion of SSVEC's Form 7 for the period ending December 31, 2014, and stated that the Cooperative continues to possess the requisite financial wherewithal to undertake the obligations associated with the loan approved in Decision 72237².

Staff Conclusions and Recommendations

19. Staff concludes that SSVEC is operating and maintaining its electrical system properly. That SSVEC is carrying out system improvements, upgrades and new additions to meet the current and projected load of the Cooperative in an efficient and reliable manner and that these improvements, system upgrades and new construction are reasonable and appropriate. Staff also concludes that the Cooperative has an acceptable level of system losses, consistent with industry guidelines and a satisfactory record of service interruptions in the historic period from 2010 through 2014 reflecting satisfactory quality of service and that based on review of the Compliance Section. Staff has determined that SSVEC is currently meeting all of its ACC compliance requirements.

20. Based on Staff's review of SSVEC's Capital Projects Budgets for the 2010-2012, 2013-2014, and 2015-2017 construction work plans, the use of SSVEC's remaining loan proceeds of \$32,097,789 from Decision No. 72237 is an appropriate way to fund the proposed Capital projects.

21. Staff concludes that the instant petition to amend Decision No. 72237 pursuant to A.R.S. §40-252 is for lawful purposes within the Cooperative's corporate powers, is compatible with the public interest, would not impair its ability to provide services and would be consistent with sound financial practices, subject to the conditions set forth below.

22. Staff recommends that the Cooperative's deadline to incur debt from Decision No. 72237 be extended to December 31, 2020.

² Exhibit 7, CFC Form 7, page 12 of 53.

23. That the Commission cancel all previously authorized but unused borrowing authority with the exception of those authorized in Decision No. 72237 and 70027 (except indebtedness under revolving credit agreements).

24. That SSVEC fund a meter study that will address the current problems with the TS1 meters and explore the potential for new meters that address both the current problem as well as allow for future use in more complex rate designs utilizing customer data for all customer classes in 15 minute intervals.

CONCLUSIONS OF LAW

1. The Sulphur Springs Valley Cooperative, Inc. is a public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution and A.R.S. § 40-252.

2. The Commission has jurisdiction over the Company and of the subject matter of the application.

3. Amendment of Decision No. 72237 is consistent with the Commission's authority under the Arizona Constitution and applicable case law.

4. It is in the public interest to accept the SSVEC's petition to amend Decision No. 72237 pursuant to A.R.S. § 40-252.

ORDER

IT IS THEREFORE ORDERED that the petition by Sulphur Springs Valley Electric Cooperative, Inc. to amend Decision No. 72237 pursuant to A.R.S. §40-252 is granted.

IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. is authorized to extend the deadline to incur debt authorized in Decision No. 72237 to December 31, 2020.

IT IS FURTHER ORDERED that all previously authorized but unused borrowing authority is cancelled with the exception of that authorized in Decision Nos. 70027 and 72237 and indebtedness under revolving credit agreements.

IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. fund a meter study that will address the current problems with the TS1 meters and explore the potential for

1 new meters that address both the current problem as well as allow for future use in more complex rate
2 designs utilizing customer data for all customer classes in 15 minute intervals.

3 IT IS FURTHER ORDERED that approval of the financing set forth herein above does not
4 constitute or imply approval or disapproval by the Commission of any particular expenditure of the
5 proceeds derived thereby for purposes of establishing just and reasonable rates.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

8
9
10 CHAIRMAN

COMMISSIONER

11
12 COMMISSIONER

COMMISSIONER

COMMISSIONER

13
14 IN WITNESS WHEREOF, I, JODI JERICH, Executive
15 Director of the Arizona Corporation Commission, have
16 hereunto, set my hand and caused the official seal of this
Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2016.

17
18
19 JODI JERICH
20 EXECUTIVE DIRECTOR

21 DISSENT: _____

22
23 DISSENT: _____

24 TMB:MJR:red/RRM

1 SERVICE LIST FOR: Sulphur Springs Valley Electric Cooperative, Inc.
2 DOCKET NO. E-01575A-10-0311

3 Mr. Kirby Chapman
4 Chief Financial and Administrative Officer
5 Sulphur Springs Valley Electric Cooperative, Inc.
6 311 East Wilcox
7 Sierra Vista, Arizona 85650

8 Mr. Jeffrey W. Crockett, Attorney
9 Crockett Law Group PLLC
10 2198 East Camelback Road, Suite 305
11 Phoenix, Arizona 85016-4747

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